No Securities Commission or similar authority in Canada, or elsewhere, has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The common shares referred to herein are not and under no circumstance are to be considered as a public offering of any of these securities for sale in the United States of America or in the territories and possessions thereof.

NEW ISSUE November 1967

HARVEY'S FOODS LIMITED
107,644 Common Shares
Without Par Value

The Company hereby offers to the holders of its Common Shares the right to subscribe for one additional Common Share for each Seven Common Shares held of record at the close of business on October 30, 1967 at a subscription price of $10.25 a share. The subscription rights expire at the close of business on November 23, 1967. It is contemplated that the rights will be traded on the unlisted market.

Subscriptions will not be accepted from residents of the United States of America or its territories or possessions but the Company understands that such residents may sell their rights in Canada.

THESE ARE SPECULATIVE SECURITIES. NO DIVIDENDS HAVE BEEN PAID ON THE COMMON SHARES OF THE COMPANY.

Midland-Osler Securities Limited have agreed to purchase from the Company at $10.10 per share the common shares offered hereby less those issued on the exercise of subscription rights.

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THE COMPANY

Harvey's Foods Limited ("Harvey's" or the "Company") franchises 35 limited-service restaurants which serve under the Harvey's name a standard limited menu of hamburgers, hot dogs, french fried potatoes, milkshakes, soft drinks, milk, coffee, and hot chocolate. The Company operates one similar restaurant which is also used as a training centre. An additional 26 locations are in the planning or permit stage to be taken in by March 31, 1969 of which 4 are presently under construction.

Swiss Chalet Acquisition

The Company, on June 19, 1967, with the approval of shareholders, purchased the net assets of Swiss Chalet Bar-B-Q Limited and the shares of Chalet Farms Limited. Both companies were owned by R.C.W. Mauran, Chairman of the Board of the Company.

The Swiss Chalet acquistion will play an important part in the Company's growth by (a) providing incentive for those Harvey's operators who have shown the ability to move up to a larger franchise operation; (b) to increasing suppliers' commissions as a result of the additional purchasing power; (c) increasing earnings through the franchising of present and future Swiss Chalet restaurants; (d) providing greater efficiency with resultant savings by combining management and administrative expenses.

This acquisition included: (a) 5 operating Swiss Chalet restaurants, specializing exclusively in charcoal broiled chicken, four of which are in Toronto and one in Hamilton; (b) the Harvey's restuarant at 238 Bloor Street West, Toronto, which is now operated by the Company; (c) a modern building at 238 Bloor Street West and 1 Bedford Road, Toronto, which provides space for the Harvey's restaurant, three stores and 12,700 sq. ft. of office space, part of which is used for Harvey's head office and part leased to unaffiliated tenants; and (d) the shares of Chalet Farms Limited, a federally inspected chicken processing plant which delivers daily to the Swiss Chalet restaurants chickens grown to the Company's specifications and also sells a substantial volume of chickens to supermarkets and other users.

The Swiss Chalet restaurants each seat between 185 and 250 people, have take-out service and in Toronto provide a telephone-order home-delivery service. Two of them have banquet facilities seating from 125 to 200 people. All buildings are identified with the Swiss Chalet trade mark. The complete rights to the trade mark in Canada and to the specially designed kitchen equipment and layouts

were acquired by Harvey's except in the Metropolitan Montreal area, where Harvey's or its subsidiaries agree not to sell poultry products directly or indirectly without the written consent of R.C.W. Mauran. The rights to the name in the United States of American are held by Swiss Chalet Bar-B-Q Inc., which is controlled by Mr. Mauran who has optioned his shares to the company. The net assets purchased from Swiss Chalet Bar-B-Q Limited were:

Cash		$119,647
Land		640,000
Buildings		769,160
Leasehold improvements		82,670
Equipment		899,728
Notes due from Chalet Farms Limited		59,386
Inventories, Accounts Receivable & Prepaids		72,539
Swiss Chalet Trade Mark		120,000
		2,763,130
Less: Liabilities Assumed		
Accounts Payable	$254,657	
Bank loan	95,000	
Mortgages payable	741,312	
Due on equipment	59,131	
Deferred income	4,129	1,154,229
Net Assets Purchased		$1,608,901

Payment by the Company was:

Cash	$126,345
7½% Demand Note payable	172,156
7½% Serial Debentures, Series C, accompanied by 80,000 Share Purchase Warrants, Series 2 (1967)	800,000
10,000 5½% First Preference Shares, Series A - par value $50, accompanied by 40,000 Share Purchase Warrants, Series 2, (1967)	500,000
10,400 Non-Voting Convertible Second Preference Shares - par value $1	10,400
	$1,608,901

All the issued and outstanding shares of Chalet Farms Limited were purchased for:

Cash	$ 95,000
7½% Serial Debentures, Series C, accompanied by 10,000 Share Purchase Warrants, Series 2 (1967)	100,000
	$195,000

SWISS CHALET BAR-B-Q INC.

A similar Swiss Chalet restuarant business is being carried on by Swiss Chalet Bar-B-Q Inc. in the United States where two restaurants are in operation in Buffalo, New York. Mr. Mauran is the beneficial owner of 60% of the issued and outstanding common shares of this company. Harvey's has been given an option to purchase Mr. Mauran's shares of Swiss Chalet Bar-B-Q Inc. either by the issue of 100,000 common shares of Harvey's plus the payment of $100,000 in cash or by the payment of $600,000 in cash plus 100,000 Share Purchase Warrants, Series 2 (1967). Mr. Mauran has the sole right to make the election and he must do so within one month of being notified by Harvey's that the option is being exercised. This option expires May 30, 1970, but notice of Harvey's intention to exercise must be communicated to Mr. Mauran on or before May 30, 1969. In the interim or if the option is not exercised, Harvey's or its subsidiaries agree not to sell poultry products in the United States of America.

OPERATIONS

Since March 31, 1963 Harvey's has obtained its revenue as follows:

	Year ended				Five Months
	March 31 1964	March 31 1965	March 31 1966	March 31 1967	ended August 31, 1967
	$	$	$	$	$
Sale of franchises	99,000	208,000	301,672	402,975	567,083
Commission income	49,938	104,791	198,291	354,525	273,808
Interest	6,021	12,588	22,155	40,338	20,276
Rental income - Franchises (net)	14,109	63,386	138,317	224,777	141,430
Other Income	--	--	--	--	47,437
Total Revenue	169,068	388,765	660,435	1,022,615	1,050,034

Sale of Franchises

All Harvey's restaurants, except the one operated by the Company at 238 Bloor Street West, Toronto, are run by franchised operators under a twenty year franchise. Presently each franchise is sold to a carefully selected operator for $45,000 with a minimum deposit of $15,000. The balance of the purchase price is payable in equal monthly instalments over ten years with interest at 7% per annum for the first five years and 9% per annum thereafter. The accelerated interest charge was introduced in March, 1967.

It is the intention of Harvey's to franchise all Swiss Chalet Restaurants both existing and future, under twenty year franchises, except the one at 234 Bloor Street West, Toronto which will be Company operated and also used as a training centre. The franchises for two of the existing five Swiss Chalet Restaurants were sold during the five months ended August 31, 1967. The sale price of the franchise for existing Swiss Chalet Restaurants, because of their proven profitability, may not necessarily be the same as the sale price of a franchise for a future Swiss Chalet Restaurant which will be approximately $200,000 with $40,000 to $50,000 paid as a deposit. The balance of the purchase price will be payable over a ten year period consisting of equal monthly instalments based on a fifteen year amortization period with interest at 7% per annum for the first five years and 9% per annum thereafter and a final payment at the end of the tenth year.

Each franchise agreement, for both Harvey's and Swiss Chalet Restaurants, provides for cancellation for cause at the sole discretion of Harvey's. The agreement also provides for an operator to resell his franchise to a person approved by the Company.

Training

When a prospective operator is granted a franchise he is trained to operate his Harvey's or Swiss Chalet Restaurant according to the Company's methods. This now includes paid on-the-job training at the Company operated restaurants for a minimum four week period prior to opening his own location. At the opening Harvey's provides him with trained personnel and continuing assistance is available from the Company's inspectors.

Harvey's also provides the operator with a manual covering all aspects of the franchise which rigidly prescribes the method of operation. An extremely important aspect of the restaurant business

is cash and inventory control. The Company has extensive control procedures to keep losses at a minimum.

Commission Income

Each operator pays a weekly commission based on gross sales. In addition, each supplier forwards to the Company duplicate reports of the purchases made by each operator, and pays the Company a commission on the operators' purchases.

Locations

To maintain control, the Company's policy is to own its sites or lease them with an option to buy. Investigations of franchise operations in the United States have indicated that many prime sites are lost each year as a result of increased rentals being demanded by landlords for renewal of expired leases. Once the site has been obtained, the Company builds the restaurant, installs all necessary equipment for the storage and preparation of food, and in the case of "drive-in" locations, paves the parking lot.

The completed restaurant is then leased to a franchised operator for a period of twenty years with the operator responsible for all expenses such as taxes, repairs and maintenance, replacement of equipment, etc. Cancellation of the franchise by the Company automatically terminates the lease.

At August 31, 1967 the Company owned or was the lessee of 41 restaurant sites of which 30 are owned by the Company, four are leased with an option to purchase and the remaining seven are leased without such an option. Seventeen of them are in Toronto, eleven in Montreal, five in Hamilton, three in Ottawa, and one each in Niagara Falls, Waterloo, Quebec City, Hull and Buffalo, New York.

All leases have been obtained from, and all suppliers of goods to the Company and its subsidiary are with persons, firms or corporations with whom the Company and its directors and major shareholders deal entirely at arms length.

MANAGEMENT

Officers and Directors

Name	Office Held	Principal Occupation during the past five years	Date Commenced Services	Number of Common Shares owned at October 30,1967
* Richard Charles Wilfred Mauran 95 Ardwold Gate Toronto, Ontario	Chairman of the Board of Directors	Chief Executive Officer of the Company (Prior to July 1967, President Swiss Chalet Bar-B-Q Ltd.)	1959	58,166

Name	Office Held	Principal Occupation during the past five years	Date Commenced Services	Number of Common Shares owned at October 30,1967
* George Bernard Sukornyk 23 Oxbow Road Willowdale, Ontario	President and Director	Barrister and Solicitor President of Company	1959	110,971
Donald Colin Webster 75 Binscarth Road Toronto, Ontario	Vice President and Director	President, Neptune Terminals Ltd. (Prior to 1966 Vice President General Impact Extrusions (Mfg.) Ltd. and Director Seaway Terminals Ltd.)	1964	29,352
Marc Andre Boisclair 702 Hartland Avenue Outremont, Quebec	Director	President, Labrador Acceptance Corp. Ltd.	1961	1,151
Yves-Charles Hudon One Merton Crescent Hampstead, Quebec	Director	President, Grissol Foods Limited	1961	2,002
David Stewart Owen 435 York Mills Road Willowdale, Ontario	Director	Real Estate Consultant (1966-1967 Managing Director Eaton Centre Limited. Prior to 1966 Real Estate Consultant)	1966	1
William Preston Ross 165 Balsam Avenue Toronto, Ontario	Director	Barrister & Solicitor Chairman, Toronto Bd. of Education. (Prior to 1966 Chairman Finance Committee Toronto Bd. of Education, 1964 - Osgoode Hall Law School.	1964	1
Robert George McCulloch 33 Rose Hill Avenue Toronto 7, Ontario.	Director	Vice President Midland-Osler Securities Limited.(Prior to 1963 Vice President Osler, Hammond & Nanton Limited.)	1967	1,006
* James Philip Catty,C.A. 9 Castle Frank Drive Toronto 5, Ontario	Director	Director of Underwriting Midland-Osler Securities Limited	1967	1,301
Edward John Kozak 101 Drennan Road Islington, Ontario	Secretary	Executive Officer of the Company. (Prior to 1966 Supervisor of Construction Ontario Store Fixture Company Limited.)	1966	880

* Member Executive Committee

Remuneration of Management

The aggregate remuneration paid by the Company and its subsidiary to its directors and senior officers for the fiscal year ended March 31, 1967 was $38,684, and for the five months ended August 31, 1967 was $28,517. The estimated aggregate cost of all pension benefits to the directors and senior officers for the same periods was NIL.

For the current and future fiscal years it is proposed to pay salaries of $25,000 each to the Chairman of the Board and the President, and to set aside for the distribution as additional compensation 5% of the profits before income taxes. From this 2% of such profits will be paid to each of the Chairman of the Board and the President and the balance will be distributed to employees as determined by the executive committee. No additional compensation will be paid that would reduce the profit after such compensation but before income taxes to less than 20% of the shareholders' equity, as shown by the books of the Company at the beginning of the fiscal year. For the five months ended August 31, 1967 the aggregate additional compensation accrued and payable under this plan amount to $33,309.

Other than set out above, no remuneration was paid or payable to any director or senior officer.

DESCRIPTION OF RIGHTS

Enclosed with this circular is a transferable subscription warrant. Each subscription warrant evidences a number of rights equal to the number of common shares of the Company held by the shareholder to whom it is sent at the close of business on October 30, 1967 (the record date). The holder of a subscription warrant is entitled to purchase one common share of the Company at the price of $10.25 for each seven rights evidenced thereby. The rights will expire at the close of business on November 23, 1967 (the expiry date) and until that date it is expected that they can be bought and sold on the unlisted market.

Subscription Warrants may only be exercised by their delivery to The Canada Trust Company at 631 Dorchester Blvd., Montreal, or 110 Yonge Street, Toronto, on or before the Expiry Date, accompanied by payment to The Canada Trust Company of the purchase price by cash or by certified cheque, bank draft, or money order, payable to The Canada Trust Company or Harvey's Foods Limited at par

in Montreal or Toronto. Failing such delivery and payment, the Rights will become wholly void and will terminate on the Expiry Date and time is of the essence.

A solicitation fee of 15¢ per share will be paid by the Company to any investment dealer acting as an agent in obtaining Subscriptions for the purchase of the Common Shares offered herein.

UNDERWRITING

By agreement made October 4, 1967, among other things:

(a) Harvey's agreed to call for redemption and duly redeem before the Record Date all of its Series B Debentures and to make the offering made by this circular;

(b) Mr. Mauran and G.B. Sukornyk agreed to exercise before the Record Date all Share Purchase Warrants (1964) owned by them and to exercise all rights issued to them on the offering made by this circular except such rights as may be sold to Midland-Osler Securities Limited ("Midland-Osler");

(c) Messrs. Mauran and Sukornyk agreed that they would not sell any Common Shares of the Company owned by them before April 1, 1968 without the consent of Midland-Osler;

(d) Midland-Osler agreed to purchase at $10.10 (Canadian) per share all shares offered by this circular and not duly subscribed and paid for prior to the expiry date; and

(e) Messrs. Mauran and Sukornyk agreed to vote all shares of the Company owned or controlled by them to keep elected as directors of the Company 2 nominees of Midland-Osler until December 31, 1971.

The agreement further provides that on certain contingencies therein set forth (generally events of force majeure) any one or more of the said parties may be excused from his or its obligations under the agreement.

PURPOSE OF ISSUE

The net proceeds to the Company from the exercise of Subscription Rights amounting to $1,087,204 will be used to retire bank indebtedness in the amount of $260,000, and indebtedness outstanding to Swiss Chalet Bar-B-Q Limited of $210,546. The balance will be added to the working capital of the Company and in due course will be used for additonal expansion.

ADDITIONAL FINANCING

The Company's policy is to own its locations or to arrange for the development of a location in accordance with the Company's specifications and to lease such developed location under a lease containing an option to purchase. Only where desirable locations cannot be obtained by the aforesaid means is it the Company's policy to lease locations without an option to purchase. Each Harvey's restaurant at a location owned by the Company today costs approximately $110,000 of which up to $60,000 is provided by mortgages on the property. Each Swiss Chalet restaurant at a location owned by the Company today costs approximately $225,000 of which up to $110,000 is provided by mortgages on the property. Other than such mortgages the Company does not currently contemplate any additional financing.

CAPITALIZATION

The following table sets out the consolidated capitalization of Harvey's as at October 30, 1967 after the sale of 107,644 common shares offered hereby.

		Outstanding October 30,1967	
	Authorized	Shares	Amount
Mortgages payable	--	--	$2,361,632
Debentures			
7½% Sinking Fund Debentures Series A, due April 15,1974	$100,000	--	84,000
7½% Serial Debentures, Series C due $20,000 on the last day of each month	$900,000	--	840,000
First Preference Shares - par value $50, issuable in series	50,000 shs.		
5½% Cumulative Redeemable First Preference Shares - Series A		10,000	500,000
Non-Voting Convertible Second Preference Shares - par value $1 each	10,400 shs.	10,400	10,400
Common Shares without par value	2,000,000 shs.	861,154	2,694,434

MORTGAGES PAYABLE

As at October 30, 1967 there were mortgages outstanding in aggregate principal amount of $2,361,632 , with payments due as set forth below:

	Due within one year	Due between one and five years	Due between five and ten years	Due after ten years	Total
First mortgages 6% - 9.2%	243,438	433,856	537,170	647,452	1,861,916
Second mortgages 7% - 12%	147,805	80,862	224,816	25,677	479,160
Third mortgages 6½% - 7%	713	3,107	5,186	11,550	20,556
	391,956	517,825	767,172	684,679	2,361,632

DEBENTURES

Pursuant to a Trust Indenture dated as of April 15, 1964 as amended by a First Supplemental Indenture dated as of April 15, 1966 and by a Second Supplemental Indenture dated as of June 16, 1967 all of which indentures were made between the Company and The Canada Trust Company, as Trustee, (the "Trust Indenture"), the Company has issued:

a) $100,000 principal amount of 7½% Sinking Fund Debentures, Series A (the "Series A Debentures"), maturing April 15, 1974 of which $84,000 principal amount was outstanding at October 30, 1967;

b) $300,000 principal amount of 7½% Convertible Sinking Fund Debentures, Series B which were called for redemption on October 17, 1967 and at the date hereof were all redeemed or converted into common shares;

c) $900,000 principal amount of 7½% Serial Debentures, Series C (the "Series C Debentures"), maturing as to $20,000 principal amount thereof on the last day of each month from and including July 31, 1967 to an including March 31, 1971 of which $840,000 principal amount was outstanding at October 30, 1967.

Security

All debentures issued and to be issued under the said Trust Indenture will be secured equally and rateably by a first floating charge on the undertaking of the Company and all its property and assets for the time being both present and future. Subject to the express provisions of the said Trust Indenture and in particular

the restrictions outlined below such floating charge does not hinder or prevent the Company until the security for the debentures shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, from paying dividends out of moneys of the Company properly available therefor, or from selling, alienating, assigning, leasing, disposing of or dealing with the subject matter of such floating charge in the ordinary course of its business and for the purpose of carrying on and extending the same, or from pledging, assigning or giving security or securities on the subject matter of such floating charge to any bank or banks under the Bank Act (Canada) or otherwise or to other recognized financing or lending institution, or, in the ordinary course of business, to others for present or future debts or liabilities of the Company to such bank or banks or to such others and any such pledge, assignment, security or securities shall rank in priority over the floating charge. In addition such floating charge is not to hinder or prevent the Company from giving or assuming purchase money mortgages or suffering to exist any permitted encumbrances. In addition, the Series A Debentures are secured by an assignment by the Company to The Canada Trust Company, as Trustee, of two policies of insurance, each in the amount of $50,000,one on the life of Richard Charles Wilfred Mauran and the other on the life of George Bernard Sukornyk.

Additional Debentures

The said Trust Indenture permits the issuance, subject to the restrictions hereinafter set forth, from time to time of additional debentures and other funded obligations without limitation as to aggregate principal amount. The said restrictions are in effect as follows:

1. So long as any of the Series A or Series C Debentures remain outstanding:

(a) the Company will not issue any additional debentures under said Trust Indenture or issue or become liable on or permit any subsidiary to issue or become liable on any other funded obligation unless the average annual consolidated net earnings of the Company and its subsidiaries for the last two completed fiscal years next preceding such issue or next preceding the Company or a subsidiary so becoming liable, as the case may be, shall have been at least equal to twice the aggregate annual interest requirements on all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be, provided that for all purposes of the said Trust Indenture any funded obligations outstanding at the time of any such issue or at the time of the Company or a subsidiary so becoming liable, as the case may be, shall be

deemed not to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be, if such funded obligations are to be retired within fifteen days following such time and if all moneys which are required to retire the same are paid to the Trustee at such time or if payment of such moneys is provided for to the satisfaction of the Trustee at such time;

(b) the aggregate amount payable by way of serial maturities and mandatory sinking fund payments in any year in respect of any issue of additional debentures shall not bear a higher ratio to the aggregate principal amount of the additional debentures of such issue than in the case of the Series A Debentures, the ratio of one to ten and, in the case of the Series C Debentures, the ratio of one to four unless,

i) in respect of Series A Debentures the annual mandatory sinking fund payments are increased to the extent necessary to ensure that in such year such payments in respect to Series A Debentures will bear the same ratio in respect to \$100,000; and

ii) in respect to Series C Debentures the Company shall enter into a covenant with the Trustee to redeem in each year such aggregate principal amount of Series C Debentures as will result in the aggregate principal amount of all Series C Debentures maturing in each year together with the aggregate principal amount of Series C Debentures so to be redeemed bearing the same ratio to \$900,000;

as the aggregate amount payable by way of serial maturities and mandatory sinking fund payments in respect of the additional debentures of such issue in such year bears to the aggregate principal amount of the additional debentures of such issue.

2. So long as any of the Series A Debentures remain outstanding no additional debentures will be issued under the said Trust Indenture having a maturity date prior to April 15, 1974, other than debentures maturing serially.

3. So long as any of the Series C Debentures remain outstanding no additional debentures will be issued under the said Trust Indenture having a maturity date prior to March 31, 1971 other than debentures maturing serially.

The aforesaid restrictions do not apply to or operate to prevent:

(a) the assuming or giving of mortgages or other

purchase money liens on property owned or acquired by the Company or any subsidiaries;

(b) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition;

(c) the creation, extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under the immediately preceding subparagraphs (a) or (b) or any mortgage, lien, charge or encumbrance existing, in the case of the restrictions for the benefit or the Series A Debentures, on the 15th day of April, 1964 or in the case of the restrictions for the benefit of the Series C Debentures, on the 16th day of June, 1967, to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such creation, extension, renewal or refunding;

(d) the creation, extension, renewal or refunding, by an issue of funded obligations complying with the provisions of the foregoing restrictions other than that set forth in subparagraph (a) of the first of such restrictions above enumerated, by the Company of any funded obligations of the Company to the extent of the principal amount of such last-mentioned funded obligations at the time of such creation, extension, renewal or refunding or to the creation, extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent that such extension, renewal or refunding does not increase the aggregate principal amount of funded obligations of such subsidiary; or

(e) the creation or issuance of any subordinated debentures ranking subsequent in priority to the Debentures issued pursuant to the Trust Deed and indentures supplemental thereto in such principal amount or amounts from time to time as the Directors of the Company may from time to time deem fit; provided that no such subordinated debentures shall be issued which would result in the aggregate principal amount of such subordinated debentures outstanding immediately following such issuance exceeding the greater of $2,000,000 or 50% of the aggregate of: (i) the total paid up capital of the Company; (ii) the capital surplus of the Company; and (iii) the retained earnings of the Company; all as shown on the then most recent audited balance sheet of the Company.

Sinking Fund and Redemption

The Company has agreed to establish a sinking fund for the holders of the Series A Debentures to provide for the retirement by redemption or purchase of $10,000 of principal amount of Series A

Debentures by April 15, in each of the years 1967 to 1973 both inclusive.

The Series A Debentures are redeemable at par for sinking fund purposes. Otherwise the Series A Debentures are redeemable at the principal amount thereof plus a premium of 7% if redeemed on or before April 15, 1967 and thereafter the said premium reduces by 1% for each year commenced or elapsed after April 15, 1967. The Series C Debentures are redeemable at par at anytime. Accrued interest is payable to the date specified for redemption.

FIRST PREFERENCE SHARES

There are authorized 50,000 First Preference Shares of $50 par value issuable in series. The 10,000 outstanding shares are designated 5½% Cumulative Redeemable First Preference Shares, Series A.

Dividends

The holders of the Series A First Preference Shares are entitled to receive as and when declared by the Board of Directors fixed cumulative preferential cash dividends at the annual rate of $2.75 per share payable quarterly, on the first day of January, April, July and October. These dividends rank prior to payment of dividends on the Second Preference Shares, Common Shares or any other shares ranking junior to the First Preference Shares.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the First Preference Shares shall be entitled to receive the amount paid up on such shares together with an amount equal to all accrued and unpaid preferential dividends thereon before any amount shall be paid or any property or assets of the Company distributed to the holders of any Second Preference Shares, common shares or shares of any other class ranking junior to the First Preference Shares. After payment to the holders of the First Preference Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company. All First Preference Shares of whichever series rank equally.

Redemption and Purchase

The Company may redeem the whole or, from time to time any part, of the then outstanding Series A First Preference Shares on

30 days notice on payment for each share to be redeemed of:

$52.50 up to January 1, 1972 and thereafter,
$52.00 up to January 1, 1973 and thereafter,
$51.50 up to January 1, 1974 and thereafter,
$51.00 up to January 1, 1975 and thereafter,
$50.50 up to January 1, 1976 and thereafter,

without premium
together with all accrued and unpaid dividends to the date of redemption.

The Company may at any time purchase (if obtainable) for cancellation the whole or any part of the Series A First Preference Shares outstanding in the open market or by tender at the lowest prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the then current redemption price as set out above. If upon any invitation for tenders the Company shall receive tenders for more Series A First Preference Shares than the Company is prepared to accept, the shares so tendered shall be purchased pro rata according to the number of Series A First Preference Shares so tendered by each holder thereof.

Restriction on Dividends, Purchases and Redemption

No dividends shall at any time be declared or paid on or set apart for the common shares or any other shares of the Company junior to the First Preference Shares nor shall the Company call for redemption or purchase any First Preference Shares less than the total amount then outstanding or any shares ranking junior to the First Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on the First Preference Shares then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption or purchase.

Sinking Fund

On or before April 30 and October 31 in each year commencing in 1972 the Company shall set aside a sinking fund of $50,000 for the redemption at par, or purchase of Series A First Preference Shares. If the net profits, after income taxes and all other charges, of the Company for the preceding fiscal year are less than $100,000 then the sinking fund payments shall be half of the net profits.

Voting Rights

The holders of the First Preference Shares shall not as such be entitled to receive notice of, or to attend, or to vote at

any meeting of the Shareholders of the Company but when the First Preference Shares are in arrears for eight quarterly dividend payments, they shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one vote in respect of each First Preference Share held. In any case they are entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

NON-VOTING CONVERTIBLE SECOND PREFERENCE SHARES

There are authorized and issued 10,400 non-voting convertible second preference shares (Second Preference Shares) of $1.00 par value.

Convertibility

Each Second Preference Share is convertible at the option of the holder into 25 fully paid and non-assessable common shares. The Conversion Rights are limited to one Second Preference Share for each $100 by which the consolidated net earnings of the Company before payment and Corporate Income Taxes or employee or executive bonuses as shown in its audited financial statement for the year ended March 31, 1968, exceeds $900,000; for the year ended March 31, 1969, exceeds $1,100,000; for the year ended March 31, 1970, exceeds $1,300,000; for the year ended March 31, 1971, exceeds $1,500,000; for the year ended March 31, 1972, exceeds $1,700,000; or for any year ended March 31 thereafter, exceeds $1,900,000 provided that Second Preference Shares shall be convertible only during the period June 30 to December 31 of any year and not more than 2,000 Second Preference Shares may be converted in any calendar year. In the event of the winding up or other dissolution of the Company the aforesaid provisos limiting the period in each year during which Second Preference Shares shall be convertible and limiting to 2,000 the number of Second Preference Shares which may be converted in any one calendar year shall not apply and all Second Preference Shares which would otherwise be convertible shall become immediately convertible into common shares.

If the number of outstanding common shares of the Company shall at any time be increased or decreased as a result of any consolidation or subdivision of the common shares or as a result of any stock dividend on the common shares, the number of common shares into which each Second Preference Share shall be convertible shall be increased or decreased proportionately. If at any time the Company shall issue its common shares for a consideration less than $7.50 per

share, (other than common shares presently under option as set forth on page 20) the number of common shares into which each Second Preference Share shall thereafter be convertible shall be adjusted as specified therein.

Voting Rights

The holders of the Second Preference Shares shall not as such be entitled to receive notice of, or to attend, or to vote at any meetings of the shareholders of the Company. In any case they are entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

Rights on Liquidation

The holders of the Second Preference Shares shall be entitled to preference over the common shares and any shares ranking junior to the Second Preference Shares with respect to priority and repayment of capital and in the distribution of assets in the event of the liquidation, dissolution and the winding up of the Company or any distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

Restrictions on Alterations of Share Capital

The Company shall not delete or vary any preference attached to the Second Preference Shares or create preference shares ranking in priority to or on a parity with the Second Preference Shares without the approval of the holders of the Second Preference Shares as specified.

Dividends

The Second Preference Shares rank on a parity with the common shares in respect of payment of dividends. The holder of all the issued and outstanding Second Preference Shares has agreed to waive payment of any dividends on the Second Preference Shares and has further agreed not to transfer such shares except subject to the said waiver.

COMMON SHARES

The Common Shares are subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the preference shares and are entitled to one vote per share at all

meetings of the shareholders of the Company. No dividends have been paid on the Common Shares of the Company.

SECURITIES UNDER OPTION

The following common shares of the Company were reserved for issuance at October 30, 1967:

Number of Common Shares Under Option	
5,000	executive stock option
46,690	on the exercise of share purchase warrants (1964)
130,000	on the exercise of share purchase warrants, Series 2 (1967)
260,000	on the conversion of the non voting second preference shares
441,690	

a) A share purchase option was granted to Edward John Kozak, an officer of the Company, on May 2, 1966 in respect of 5,000 Common Shares exercisable over a ten year period at the rate of 500 shares per annum at a price of $5 per share. Any shares not taken up in any year may be taken up in a subsequent year prior to the expiration of the option. No shares have as yet been issued to such employee under the terms of the said option.

b) Share purchase warrants (1964) in respect of 100,000 Common Shares were issued under an indenture dated as of April 15, 1964 and entered into between the Company and The Canada Trust Company, as Trustee. Share purchase warrants in respect of 53,310 Common Shares have been exercised so that share purchase warrants in respect of 46,690 Common Shares remain outstanding at October 30, 1967. All the said share purchase warrants were and the remaining warrants outstanding are exercisable at $2.00 per share up to and including April 15, 1969 and at $4.00 per share thereafter and up to and including April 15, 1974.

c) Share purchase warrants Series 2 (1967) in respect of 130,000 Common Shares were issued under an indenture dated as of September 15, 1967 and entered into between the Company and The Canada Trust Company, as Trustee. All the share purchase warrants were outstanding at October 30, 1967 and are exercisable at $7.50 per share up to and including May 15, 1977.

d) The 10,400 Non-Voting Convertible Second Preference Shares are convertible into 260,000 Common Shares under the terms and conditions set forth on page 18.

PRINCIPAL SHAREHOLDERS

The principal shareholders of the Company are R.C.W. Mauran and G.B. Sukornyk who directly and indirectly beneficially owned 7.7% and 14.3% respectively of all the issued and outstanding Common Shares of the Company at October 30, 1967. Assuming the issuance of all the Common Shares of the Company presently under option, R.C.W. Mauran would own 37.5% of the then outstanding Common Shares of the Company and G.B. Sukornyk 9.0%.

To the knowledge of the Company, no other person or company owns more than 10% of the issued and outstanding Common Shares.

FINANCIAL STATEMENTS

Reference is made to the enclosed Unaudited Consolidated Financial Statements of the Company for the five months ended August 31, 1967 and the Pro Forma Consolidated Balance Sheet as at August 31, 1967.

CERTIFICATE

The foregoing constitutes full, true and plain disclosures of all material facts relating to the offering of 107,644 Common Shares to shareholders by the exercise of transferable Subscription Warrants.

November 1, 1967

Toronto

Signed on behalf of the Board of Directors

"R.C.W. Mauran" Chairman

"G.B. Sukornyk" President